

104TH CONGRESS  
2D SESSION

# H. R. 4334

To amend the Internal Revenue Code of 1986 to allow individual retirement accounts to be used for expenses for post-secondary education and job retraining.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 30, 1996

Mr. SMITH of Texas (for himself, Mr. ROHRABACHER, Mr. BEREUTER, Mr. BLUTE, and Mr. FLAKE) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow individual retirement accounts to be used for expenses for post-secondary education and job retraining.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Lifetime Education  
5       and Retraining Needs Act”.

1 **SEC. 2. EXCLUSION FROM GROSS INCOME OF IRA DIS-**  
 2 **TRIBUTIONS USED FOR POST-SECONDARY**  
 3 **EDUCATION AND WORKER RETRAINING.**

4 (a) IN GENERAL.—Subsection (d) of section 408 of  
 5 the Internal Revenue Code of 1986 is amended by adding  
 6 at the end the following new paragraph:

7 “(8) DISTRIBUTIONS FROM AN INDIVIDUAL RE-  
 8 TIREMENT ACCOUNT USED FOR QUALIFIED HIGHER  
 9 EDUCATION OR WORKER RETRAINING EXPENSES.—

10 “(A) IN GENERAL.—Paragraph (1) shall  
 11 not apply to any amount paid or distributed out  
 12 of an individual retirement account which but  
 13 for this paragraph would be included in gross  
 14 income to the extent that such amount does not  
 15 exceed the sum of the amount of qualified high-  
 16 er education expenses and the qualified job re-  
 17 training expenses paid during the taxable year.

18 “(B) DEFINITIONS.—For the purposes of  
 19 subparagraph (A)—

20 “(i) QUALIFIED HIGHER EDUCATION  
 21 EXPENSES.—

22 “(I) IN GENERAL.—The term  
 23 ‘qualified higher education expenses’  
 24 means tuition, fees, books, supplies,  
 25 and equipment required for the enroll-  
 26 ment or attendance of an eligible indi-

vidual at an eligible educational institution (as defined in section 135(c)(3)).

“(II) COORDINATION WITH SAVINGS BOND PROVISIONS.—The amount of qualified higher education expenses for any taxable year shall be reduced by any amount excludable from gross income under section 135.

“(ii) JOB RETRAINING EXPENSES.—The term ‘job retraining expenses’ means tuition, fees, books, supplies, and equipment required for the enrollment or attendance of an eligible individual in a State-accredited job retraining program.

“(iii) ELIGIBLE INDIVIDUAL.—The term ‘eligible individual’ means—

“(I) the taxpayer,

“(II) the taxpayer’s spouse, and

“(III) the taxpayer’s child (as defined in section 151(c)(3)).”

(b) EXCESS DISTRIBUTIONS TAX NOT TO APPLY.—

Paragraph (2) of section 4980A(c) of such Code is amended by inserting after subparagraph (F) the following new subparagraph:

1                   “(G) Any retirement distribution to the ex-  
2                   tent not included in gross income by reason of  
3                   section 408(d)(8).”

4           (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to payments and distributions  
6 made after December 31, 1996.

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